



# What happened to people who left the benefit system In the year ended June 2020

## Overview

This series describes people who left the benefit system and what happened to them once they exited – for example if they entered education, employment, or training.

This year's report focuses on the 110,200 people who exited a main benefit in the year to 30 June 2020 and follows their outcomes for 12-months after their exit to understand whether they remained off-benefit, are still employed, how their income has changed, or whether they are still studying.

Because of this timing, these results include the initial COVID-19 Alert Level restrictions, which led to a sharp growth in the benefit population. These restrictions likely affected people's ability to leave the benefit system, and for those who had already exited, their ability to remain off benefit. These results also reflect the ongoing economic uncertainty throughout 2020 and 2021 which may have further influenced people's employment outcomes. Despite these difficulties, most employment and sustainability outcomes were generally similar to previous years.

The next version of this report will include information up to June 2022, so will reflect more recent changes to the benefit system, economy, and labour market, including the ongoing impact of COVID-19.

The [technical report](#) delves deeper into differences between groups and explains how this analysis was done.

## Key Highlights

**1** The benefit population grew 8.9 percent compared to the previous year, increasing to 334,400 people in the year to June 2020.

**2** The influx of people who entered the benefit system in early 2020, following the first national shift to higher alert levels, changed the characteristics of the benefit population with more younger, highly educated, and NZ European people accessing support.

**3** Despite the uncertainty of COVID-19, a similar number of people left the benefit system in the year to June 2020, compared to the previous year. Of those who exited, 53.7 percent remained off benefit for a year, down 1.3 percentage points from the previous year.

**4** Although a similar number of people left the benefit system, more people exited into employment in the year to June 2020 compared to the previous year, and more were able to sustain their employment. Overall, almost half of people who left the benefit system in the year to June 2020, exited into employment.

**5** Many who exited into employment mirrored those who came onto a main benefit in early 2020, following the initial impact of COVID-19. This group tended to be younger, more educated, and NZ European. This group also sustained their employment at a higher rate compared to those with a longer benefit history.

**6** Many who exited into employment had been supported by a main benefit for less than six months. As a result, those who had been supported by a benefit for more than six months were noticeably less likely to exit into employment compared to previous years.

**7** Those who exited into employment, shifted towards industries with greater employment sustainability such as Construction, Health Care and Social Assistance, and Public Administration and Safety. This may have contributed to higher employment sustainability rates.

## The influx of people who entered the benefit system following the first national shift to Alert Levels 3 and 4, changed the characteristics of the benefit population.

Following the national shift to higher alert levels in early 2020, there was an influx of people into the benefit system. These people changed the characteristics of the benefit population as they tended to be younger, more educated<sup>1</sup>, more likely to be NZ European and had little or no benefit history. For more information on the impact of COVID-19 on the benefit system, see the Benefit System Update<sup>2</sup>.

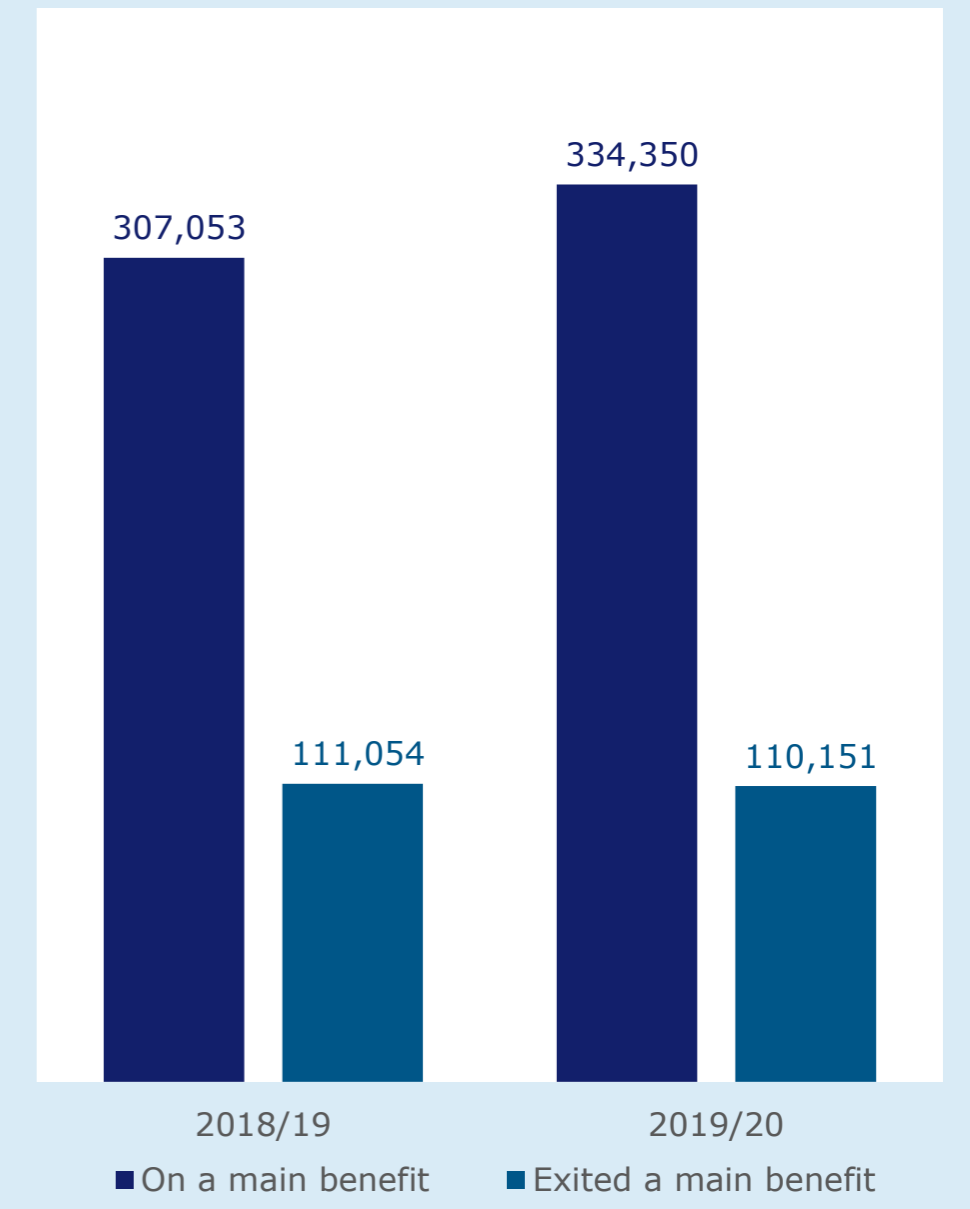
## Despite the uncertainty of COVID-19, a similar number of people left the benefit system compared to the previous year.

Despite this influx of people in early 2020, a similar number of people (approximately 890 fewer people or a decrease of 0.8 percent) left a main benefit in the year to June 2020 compared to the previous year. Prior to the shift to higher alert levels, we were on track to see more people leave the benefit system compared to the previous year. However, this was offset by approximately 1,700 fewer people leaving the benefit system in the June 2020 quarter, compared to the same period in 2019.

## The number of people leaving the benefit system was similar to the previous year, but the likelihood of leaving decreased slightly.

While the number of people leaving the benefit system was similar between the year to June 2019 and 2020, growth in the benefit population following COVID-19 alert level restrictions meant that people's likelihood of leaving decreased slightly overall. A person had a 30.7 percent likelihood of exiting a main benefit in the year to June 2019, which decreased slightly to 28.4 percent in the year to June 2020.

Figure 1: Number of people who were on a main benefit and exited a main benefit each year



<sup>1</sup> This is based on a person's highest qualification. Please see the technical report for further details on New Zealand qualifications.

<sup>2</sup> The Benefit System Update report can be found here: [www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-2021.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-2021.html)

## Slightly more people exited into and sustained their employment compared to the previous year.

Each year about half of the people who leave a main benefit enter employment. We count people who had employment as those with earnings of at least \$1,600 per month.<sup>3</sup>

The uncertainty from COVID-19 Alert level restrictions likely affected people's ability to exit a benefit into work and sustain their employment<sup>4</sup>. Despite this uncertainty, more people exited into and sustained their employment in the year to June 2020 than compared to the previous year. Roughly 41.6 percent (23,200 of the 56,900 people) of those who exited into employment in the year to June 2019 had sustained their employment after a year. This increased by 1.4 percentage points in the year to June 2020, with 43.1 percent (24,700 out of 57,800 people) sustaining their employment.

People who began employment with higher incomes were more likely to sustain their employment after a year. On average, people who sustained their employment grew their incomes regardless of what their starting income was.

<sup>3</sup>\$1,600 per month is the equivalent of earning the Minimum Wage for at least 20 hours per week. Please see the technical report for further details.

<sup>4</sup>Sustained employment is defined as remaining off benefit and maintaining earnings over \$1,600 each month in the first 12-months after exiting.

## Compared to the previous year, the likelihood of exiting to employment decreased for those who had been on a main benefit for more than six months.

Typically, the longer a person is supported by a main benefit the less likely they are to exit into employment; and overtime people have generally become less likely to exit into employment. For those who were supported by a main benefit for more than six months this pattern has continued; they were less likely to exit into employment compared to the previous year.

However, the likelihood of exiting into employment remained reasonably stable for those with a benefit history of less than six months. As a result, many who exited into employment mirrored those who had entered the benefit system following the initial impact of COVID-19. They tended to be younger, more educated, and more likely to identify as NZ European.

This follows a similar pattern to what was seen in previous economic shocks where there is a rise in people entering the benefit system who have had little interaction with the system before. They then return to the labour market quickly once economic conditions improve. Those who entered the benefit system more recently were closer to the labour market and may have had a better skill set match to available jobs once restrictions eased.

Figure 2: Proportion of people who maintained earnings over \$1,600 very month for at least a year after exiting into employment (sustained their employment) – over time

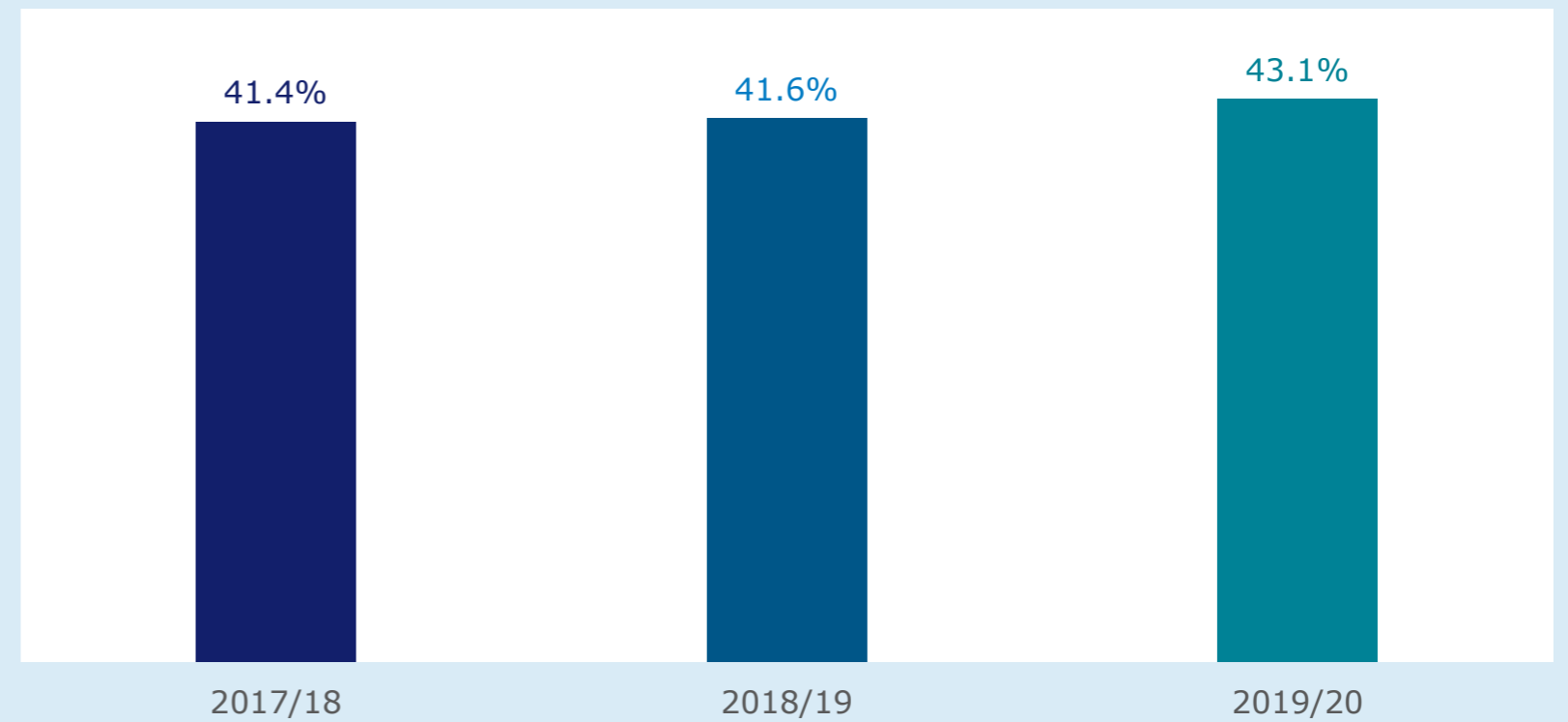
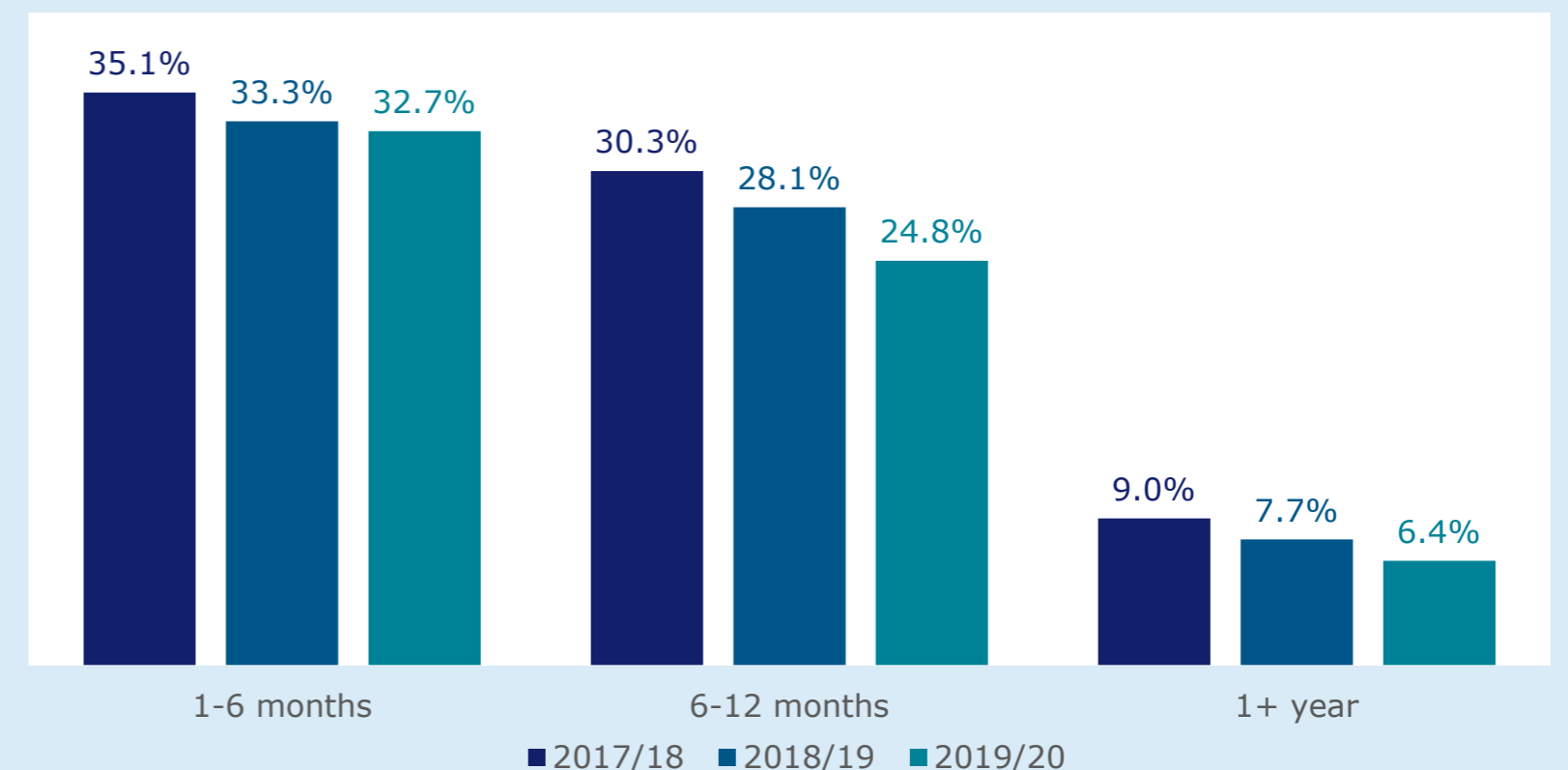


Figure 3: Likelihood of exit into employment from a main benefit over time – by time spent on benefit prior to exit



## People who exited into employment in the year to June 2020 shifted slightly towards industries with greater employment sustainability.


Since the year to June 2018 fewer people have entered the Administrative and Support Services; and Manufacturing industries, but they are still the top two employment industries for people leaving the benefit system. These industries have some of the lowest employment sustainability rates with approximately 1 in 3 sustaining their employment after a year.

In the year to June 2020, there was an increase in the number of people entering industries such as Construction (up 250 people or 5.0 percent); Health care and Social Assistance (up 170 people or 4.0 percent); and Public Administration and Safety (up 570 people or 24.9 percent). These industries had higher levels of employment sustainability which may have contributed to an overall improvement in employment sustainability rates in the year to June 2021.

## In the year to June 2020:

Administrative and Support Services; and Manufacturing made up 27.6% of all exits into employment.

They continue to have low levels of employment sustainability.


 Administrative and Support Services **35.8%**

 Manufacturing **35.7%**

Construction; Health care and Social Assistance; and Public Administration and Safety made up 21.8% of all exits into employment.

They had greater levels of employment sustainability.

 Construction **41.6%**

 Health care and Social Assistance **62.0%**


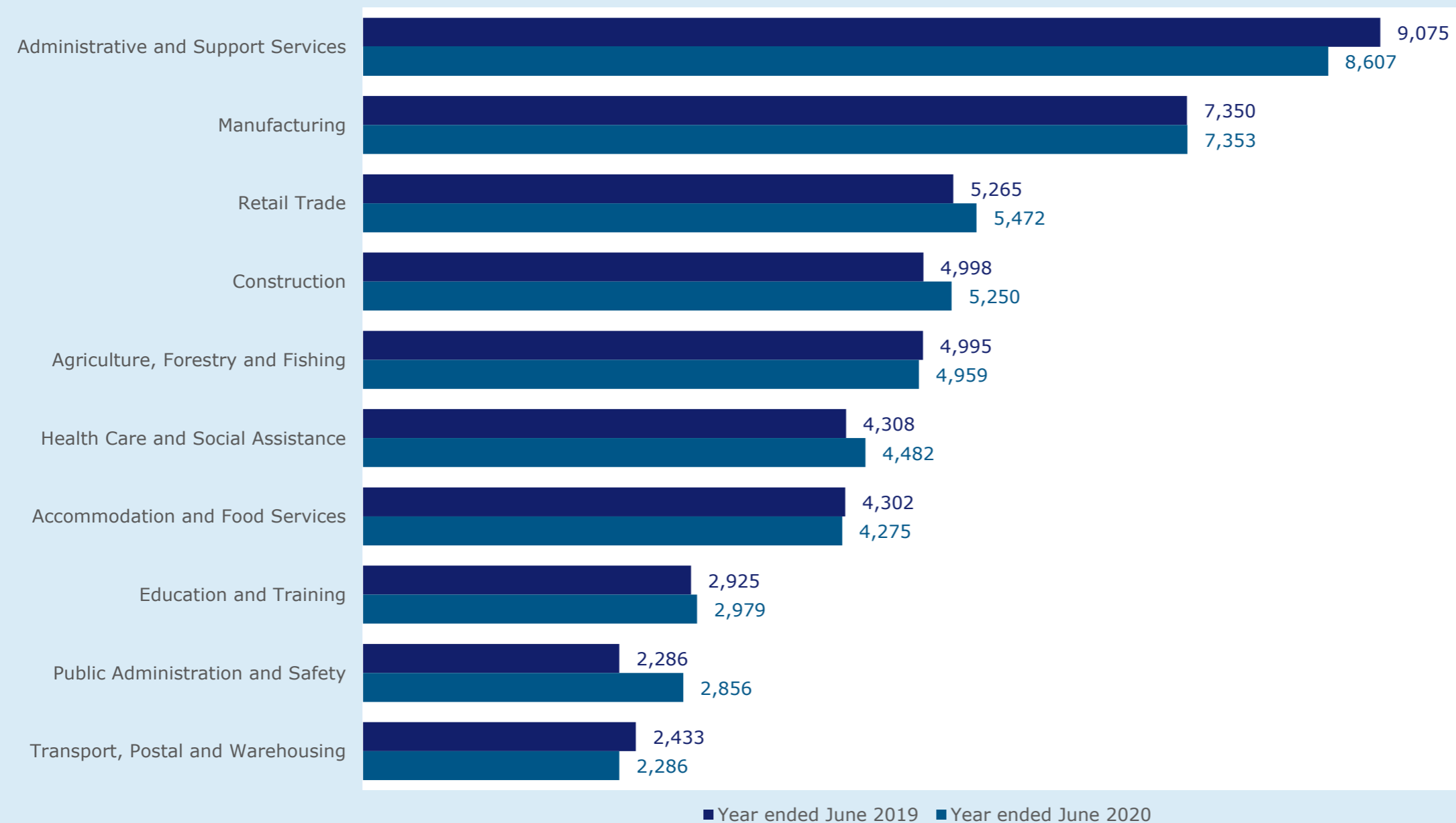
 Public Administration and Safety **63.0%**

Figure 4: Number of people who exited into employment - by the top 10 industries people exited into in the year to June 2020



## Definitions and notes

For further definitions and notes see the appendix in the [technical report](#).

## Exits and employment sustainability

When a person exits a benefit, we assign a reason for their exit based on their key actions post-exit (e.g., they began earning, or enrolled in a tertiary course). If a person falls into more than one exit reason category then their exit reason is prioritised based on the order stated in the technical report.

To examine how earnings have changed over time for people who left the benefit system, an earning threshold of \$1,600 per month (indexed to December 2021 dollars) was used to determine if someone was employed. This amount was chosen as it is the equivalent to a person working 20 hours per week at minimum wage.

Generally data for self-employed earnings is not able to be used.

## Population

This report includes people aged 16-65 years who are supported by the following main benefits: Jobseeker Support – Work Ready (JS – WR), Jobseeker Support – Health Condition or Disability (JS – HCD), Sole Parent Support (SPS), Supported Living Payment – Carer (SLP – Carer), Supported Living Payment – Health Condition or Disability (SLP – HCD), Young Parent Payment (YPP) and Youth Payment (YP).

People are grouped into cohorts defined by the period in which they exited the benefit system:

- **2017/2018:** Exited the benefit system between 1 July 2017 and 30 June 2018
- **2018/2019:** Exited the benefit system between 1 July 2018 and 30 June 2019
- **2019/2020:** Exited the benefit system between 1 July 2019 and 30 June 2020

A person must be off a main benefit for a full calendar month to be counted within a cohort. Because of this some people who were off a benefit for up to two months before returning to a main benefit may have been excluded from this analysis.

Some people may have exited a benefit, re-entered, and then exited again within 2019/2020 – in this case we only count their first exit within the 2019/2020 cohort. The same logic applies to all cohorts.

## Things to note

We only have earnings data for calendar months and do not have work hours. Thus, a person who works one week a month earning an annual salary of \$60,000 would have the same monthly earnings as someone working a full four weeks on an annual salary of \$15,000.

Due to the way we have defined and prioritised exit reasons, some people who are designated as having left a main benefit for reasons other than employment may also have earnings over \$1,600 per month.

The exit numbers used in this report are research numbers developed specifically for this reporting and are lower than official counts of main benefit cancels.

Differences in exit likelihoods between cohorts could partly be due to differences in the characteristics/histories of the cohorts as well as external factors such as labour market and economic conditions, policy changes or changes to the operational environment which haven't been controlled for.

Caution is needed when making conclusions from the comparative analyses in this report; we have not controlled for any multivariate factors between any two groups.

## IDI Disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), which is carefully managed by Stats NZ. For more information about the IDI please visit: [www.stats.govt.nz/integrated-data](http://www.stats.govt.nz/integrated-data)

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.